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SUBJECT: DCM FAR EAST VISIT COMES AMIDST TURMOIL AND PROMISE

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1. (U) DCM Eric Rubin's February 2-6 visit to the Russian Far East came at a time of economic turbulence and discontent, but also high hopes that the Asian Pacific Economic Cooperation (APEC) Summit will lift the region's fortunes when it is held in Vladivostok in 2012. The DCM visit was a chance to engage on health and environmental issues, the new American President, youth issues, trafficking in persons, US-Russian relations and Russian relations with China and other Asian neighbors.

TIGER ON THE LOOSE

2. (U) The first official meeting was with Vladivostok City Duma Deputy Nikolay Markovtsev who said that recent demonstrations organized by the new group "TIGER" signal a growing disenchantment from businesspeople, aged 30 to 40, who had previously been loyal to the government. This is a "dangerous" development he said because, unlike the pensioners who largely support the communists, TIGER supporters are productive middle class citizens who "have something to lose." Markovtsev noted that TIGER is not yet officially registered and does not have an identifiable leader, but the group represents an important segment of the population and they have the authorities "genuinely worried."

APEC OPTIMISM

3. (U) Igor Uleiskiy, Primorye Vice Governor, ignored the recent protests and concentrated on APEC projects in his February 3 meeting with the DCM. Uleiskiy said that the Kremlin pledged an additional 75 billion rubles for APEC projects in 2009. This equals the current annual Primorye budget. Planned projects include a 100 million dollar airport renovation, bridges, roads, a conference-center, a media center, hotels, a water treatment plant, an Opera house, a new health center, and a hockey arena. The conference center, media center, hotels and a new pier will be built on Russkiy Island, and the remaining projects will be located on the mainland. These include the renovated international airport with new modern runways and a new highway to the island from the airport.

OFFICIAL STATISTICS LOOK GOOD -- ARE THEY REAL?

4. (U) Uleiskiy said the region enjoyed six per cent growth in 2008 and that the situation in Primorye is better compared to other regions. Average wages increased 20 per cent in Primorye last year. Over the first nine months in 2008, USD 800 million of foreign investment came from 17 countries. This is 25 times more than the same period in 2007. Though official statistics look promising, other contacts told us that Primorskiy "statistics" are not reliable and the investment climate in Primorye remains tricky due to a history of foreign investors being forced out by Russian partners once an enterprise begins

to make money.

15. (U) American exporters have done well in the Far East, with American fruits and meats seen in most shops, but the import of heavy equipment, including Caterpillar and John Deere, may be increasingly difficult due to new import tariffs and the end of government subsidies for the purchase of foreign equipment. Uleiskiy noted that American and Russian fishing firms were cooperating more actively and he expected a significant American presence at this September's Fishing Congress in Vladivostok.

CHINESE "TAKEOVER" OVERBLOWN

16. (U) The DCM stopped at the Vladivostok Veteran's Home, a good Consulate partner. The Home hosts American sailors when they are in port and is providing space for the first-ever Women's Shelter in the Far East that will open later this month. The DCM also met with Asian experts who said they see China as the main partner for the RFE in the future. Local experts believe Moscow concerns about a Chinese "takeover" of the Far East are overblown and quotas on North Korean and Chinese labor migrants only hinder development. The US could play a stronger role in trade, they say, if there were direct flights between the Far East and American West Coast.

17. (U) With a new American President, the DCM's views on the future of US-Russian relations were a major topic at the meetings with US program alumni (FLEX, Muskie, etc.) and the press. The DCM met students at American Councils in Vladivostok and spoke at universities in Birobidjan, Khabarovsk and Vladivostok. Students in Vladivostok were familiar with American exchange programs, but in Birobidjan even the summer work and travel program was not well known.

USAID MAKES A DIFFERENCE

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18. (U) In Khabarovsk, the DCM and USAID delegation met with Alexander Borisovich Levintal, Deputy Chair of the Krai Government. Mr. Levintal thanked the US delegation for 15 years of USAID support. The "Amur Initiative" USAID project is allowing thousands of residents of area villages that were forced to use toxic river water access to clear, filtered drinking water. Residents of Khabarovsk rely on the Amur for much of their water. The Initiative responds to the request of the Administration of Khabarovsk Kray to deal with the consequences of a large chemical spill in Tzylin, China that occurred in November 2005. Wastewater treatment stations in the Tzylin area operate far below minimum acceptable standards, resulting in significant pollution downstream in the Amur River. In addition to the Chinese, over five million Russians are ultimately affected by this environmental pollution. The ongoing pollution and frequent unreported spills in both Russia and China continue to affect citizens in both countries. The Kray administration has assigned priority to developing systems and procedures to analyze and monitor water quality in the Amur River and to establish alternative sources of clean water. The Amur River Initiative consists of monitoring water quality, providing alternative water supplies in the four settlements that suffered from Tzylin spill and strengthening a Khabarovsk-Oregon Partnership to address the Amur River issues. Levintal expressed his special appreciation to the US delegation for committing to a USD 100,000 phase two of the Amur Initiative. The DCM walked on to the frozen Amur River and took a sample of the water that turned out to show heavy metals and other contaminants in the field lab tests.

19. (U) DCM and team later took a tour of the small village of Osinovaya Rechka where USAID ultraviolet disinfectant devices were bringing down the levels of harmful bacteria below detectable levels. The project benefits local residents, a school, medical center, and kindergarten.

¶10. (U) Tuberculosis (TB) is another threat to public health addressed by USAID in Khabarovsk. The DCM and USAID delegation met with Oleg Leonidovich Karpenko, Chief Tuberculosis (TB) Officer of the Far East Federal District. Karpenko led the US delegation through the laboratory that the US helped to fund and explained that the facility also serves as a regional training site providing technical, managerial and material support to other TB facilities in more remote regions. The delegation did not know whether the doctor was kidding when he said that despite the high tech ventilation system and the respirators that we and the technicians were wearing, someone gets sick every year amongst the staff of the laboratory. Our tour was short!

¶11. (U) The goal of USAID support is to reduce TB transmission, mortality, and morbidity and prevent the development of drug resistance. The Ministry of Health of the Kray has since issued a number of executive orders to further facilitate implementation of the program. One of the major outcomes of the USAID-funded TB program was allocation of 100 million rubles by the Ministry of Health in 2008 to support TB programs following USAID's 12 million ruble award for the model project.

¶12. (U) Comment: The economic crisis is beginning to take hold in the region, and several large companies have laid off significant numbers of workers. However, Vladivostok is set to become the host city for the 2012 APEC Summit, an event that could be the catalyst for much-needed infrastructure improvements and potentially spur foreign investment in the area. There are other positive signs on the horizon with regional airlines planning to increase their foreign routes, including expanding from seasonal service to year-round flights to Alaska and the U.S. Pacific coast. A regional shipping company has established a sea direct route to the port of Tacoma and leaders in Vladivostok have expressed hope that further US Navy ship visits will return, bringing more US-Russian interaction to a region that is as far from Moscow as New York is.

ARMBRUSTER